

**SECRET**

No. 64-100

30 September 1964

Dear Dana:

You recently advised me that as a result of an internal audit at Itak it would be highly desirable if the Contracting Officer could take some position with respect to the proposal submitted by you on 15 July 1964 covering the percentage of completion and incentive fee on contracts BT-1943 and IK-4666. As I understand it you feel it would be helpful for your company to have some indication from us regarding the fee in order that the internal audit might take this into consideration for the benefit of stockholders in your company.

As you know we have spent some time reviewing the analysis which you have made of the percentage of completion and the general formula for deriving incentive fee. While we have not made any final determination with respect to this matter it would seem to us that the approach is generally satisfactory although we must necessarily reserve the right to finally determine our position after all of the facts have been reviewed.

We recognize that the incentive fee provision in the contract would cause the fee to increase with reduction in costs. You are also aware that the resident auditor has raised certain questions regarding application of overhead rates.

Sincerely,

  
Art

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